

Introduced by Senator Wright

February 12, 2010

An act to amend Section 38570 of the Health and Safety Code, relating to air pollution.

LEGISLATIVE COUNSEL'S DIGEST

SB 1033, as introduced, Wright. California Global Warming Solutions Act of 2006: allowances.

The California Global Warming Solutions Act of 2006 designates the State Air Resources Board as the state agency charged with monitoring and regulating sources of emissions of greenhouse gases. The state board is required to adopt a statewide greenhouse gas emissions limit equivalent to the statewide greenhouse gas emissions level in 1990 to be achieved by 2020, and to adopt rules and regulations in an open public process to achieve the maximum technologically feasible and cost-effective greenhouse gas emission reductions. The state board is authorized to adopt market-based compliance mechanisms, as defined, meeting specified requirements to be used for compliance with those regulations. The state board is required, before including any market-based compliance mechanism, to maximize additional environmental and economic benefits for California, as appropriate.

This bill would require the state board, if market-based compliance mechanisms are adopted, to sell, trade or otherwise distribute an allowance, defined as an authorization to emit greenhouse gas emissions, only to a person subject to the greenhouse gas emissions limit to which that allowance applies.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares all of the
2 following:

3 (a) The California Global Warming Solutions Act of 2006
4 requires the state to reduce greenhouse gas emissions to 1990 levels
5 by 2020.

6 (b) The State Air Resources Board has proposed a
7 “cap-and-trade” regulation that would begin starting in 2012 with
8 approximately 600 of the state’s largest greenhouse gas emission
9 emitting stationary sources.

10 (c) Sources include numerous public entities, including, but not
11 limited to, public universities, local government facilities, and
12 municipal utilities.

13 (d) Under the cap-and-trade program, a limit or cap would be
14 placed on the amount of emissions that can be emitted and covered
15 sources must account for their emissions.

16 (e) Each year the cap will decline and fewer allowances would
17 be issued by the state board.

18 (f) At the end of the compliance period, each covered entity
19 would be required to surrender allowances equal to its total
20 greenhouse gas emissions during that compliance period, and
21 failure by a covered entity to surrender sufficient allowances to
22 match its emissions would result in significant penalties.

23 (g) The state board’s analysis indicates that the value of the
24 allowances to be created and distributed by the state board may
25 total one hundred forty-three billion dollars (\$143,000,000,000)
26 between 2012 and 2020.

27 (h) The state board has proposed that entities not subject to the
28 cap could purchase allowances from the state board and
29 subsequently sell them to compliance entities.

30 (i) Allowing noncompliance entities to receive, trade, and sell
31 allowances needed by the sources of emissions operating in
32 California may result in market manipulation, a dramatic increase
33 in the state’s energy costs, unnecessary added costs to consumers
34 of services, and ultimately a failed program.

35 (j) Other cap-and-trade programs have successfully achieved
36 the emission reduction goals in a cost-effective manner, and the
37 state board can achieve the required emission reductions with the
38 least cost.

1 SEC. 2. Section 38570 of the Health and Safety Code is
2 amended to read:

3 38570. (a) The state board may include in the regulations
4 adopted pursuant to Section 38562 the use of market-based
5 compliance mechanisms to comply with the regulations.

6 (b) Prior to the inclusion of any market-based compliance
7 mechanism in the regulations, to the extent feasible and in
8 furtherance of achieving the statewide greenhouse gas emissions
9 limit, the state board shall do all of the following:

10 (1) Consider the potential for direct, indirect, and cumulative
11 emission impacts from these mechanisms, including localized
12 impacts in communities that are already adversely impacted by air
13 pollution.

14 (2) Design any market-based compliance mechanism to prevent
15 any increase in the emissions of toxic air contaminants or criteria
16 air pollutants.

17 (3) Maximize additional environmental and economic benefits
18 for California, as appropriate.

19 (c) The state board shall adopt regulations governing how
20 market-based compliance mechanisms may be used by regulated
21 entities subject to greenhouse gas emission limits and mandatory
22 emission reporting requirements to achieve compliance with their
23 greenhouse gas emissions limits.

24 (d) *If the state board allows the use of market-based compliance*
25 *mechanisms pursuant to this section, the state board shall sell,*
26 *trade, or otherwise distribute an allowance only to a person, as*
27 *defined in Section 39047, subject to the greenhouse gas emissions*
28 *limit to which that allowance applies.*